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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(6 November - 12 November 1967)

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I. POLITICAL SITUATION

The government on 9 November announced the formation of a 17-member cabinet composed largely of experienced technicians and administrators. Although a large number of the ministers are either incumbents or former civil servants, there appears to have been some attempt to obtain political and regional balance with the new appointments. Police Director Loan told an American observer that he has submitted his resignation but would not elaborate on his reasons. The upper and the lower houses both met during the week for the first time since the inauguration, and made progress toward completing internal administrative tasks. Efforts are reportedly being made to form two blocs in the lower house, but both are apparently having some difficulty in getting off the ground. One would be a progovernment grouping largely from the Mekong Delta; the other a predominantly Catholic and independent group.

New Cabinet Appointed

1. The government announced the formation of a 17-member cabinet on 9 November, in addition to the appointment of seven vice-ministers and two secretaries and two directors-general in the prime minister's office. Nine of the 17 ministers served at one time in the former Ky cabinet and some others held other positions in the previous government.

2. There was apparently an attempt, however, to establish regional and political balance in the new cabinet. Of the 28 positions announced, nine were given to northerners, six to central Vietnamese, and 13 to southerners. In addition, a few of the new appointees are associated with some of the various political parties. Minister of Education and Culture Tang Kim Dong, for instance, is believed to have been put forward for that position by the Movement for the Renaissance of the South, which supported the presidential candidacy of Tran Van Huong. The embassy points out that a high proportion

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of the appointees have considerable experience in their fields of responsibility, by virtue of their service in either the cabinet or the civil service. Only a few can be classed primarily as political figures rather than technicians or administrators.

3. The new ministers and appointees in the prime minister's office are as follows:

Foreign Minister	Tran Van Do, the incumbent
Minister of Defense	Lt. General Nguyen Van Vy, former chief of staff of the Joint General Staff
Minister of Interior	Lt. General Linh Quang Vien, former minister of national security
Minister of Revolutionary Development	Lt. General Nguyen Bao Tri, former minister of information and Chieu Hoi
Minister of Economy	Truong Thai Ton, former senior adviser to the prime minister and twice previously minister of economy and finance
Minister of Finance	Luu Van Tinh, former director general of the budget and foreign aid
Minister of Agriculture	Ton That Trinh, former assistant to the prime minister for economy and finance
Minister of Labor	Pho Ba Long, economics professor at Da Lat University
Minister of Public Works	Buu Don, former position unknown
Minister of Communications and Transportation	Luong The Sieu, head of a state-owned coal mine
Minister of Chieu Hoi	Nguyen Xuan Phong, former minister of social welfare

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Minister of Justice	Huynh Duc Buu, judge and former 2nd vice chairman of the People's-Army Council
Minister of Culture and Education	Tang Kim Dong, dean of the Can Tho University law faculty
Veterans' Minister	Nguyen Tan Hong, the incumbent
Minister of Health	Tran Lu Y, the incumbent
Minorities Minister	Paul Nur, former special commissioner for montagnard affairs
Minister of Social Welfare and Refugees	Nguyen Phuc Que, former special commissioner for refugees
Secretary to the Prime Minister	Doan Ba Cang, diplomat stationed in Japan
Secretary to the Prime Minister for Liaison with the National Assembly	Nguyen Van Tuong, former special commissioner for administration
Director General for Information and Press	Nguyen Ngoc Linh, former director of Vietnam Press
Director General for Youth and Sports	Nguyen Dai Thanh, high school teacher in Saigon

Loan Resigns

4. National Police Director Loan told an American observer on 8 November that he had submitted his resignation for "personal" reasons. He did not elaborate beyond saying that his job would be almost impossible to accomplish in the next month or so. He referred to the "serious" and still unresolved problems of the Buddhists, students and political parties but did not comment on how or whether these were related to his resignation.

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No Foreign Dissem/Background Use OnlyUpper and Lower Houses Meet

5. During its session on 7 November, the Senate, with all 60 members present, approved 22 of 23 articles covering Senate organization presented by the rules committee and set up a working schedule for further plenary debate on the committee's draft rules. The article not approved dealt with powers to be vested in the Senate's officers. Debate on that question was deferred until a later session. Also remaining to be accomplished are the drafting and approving of parts two and three of the rules--Senate regulations and procedures. Some optimistic senators believe that work on all the rules, which may eventually have as many as 200 articles, can be completed within two weeks.

6. During its first working session on 8 November, the lower house concentrated exclusively on selecting temporary presiding officers. Acting chairman Nguyen Ba Luong and acting secretary general Duong Van Ba were automatically appointed to those posts because of their respective positions as oldest and youngest members of the house. In addition, two deputies for each man were elected by secret ballot. Luong has told the Saigon Post that he will be a candidate for permanent lower house chairman and probably hopes to strengthen his hand during his tenure as temporary chairman. Deputy Ho Huu Tuong, an associate of the militant Buddhist selected from Saigon, has also been mentioned as a front runner for the chairmanship.

Two Lower House Blocs Emerging

7. Two groups within the lower house reportedly are trying to form blocs, but neither apparently has much chance for success. The first bloc is being organized by Captain Nguyen Thien Nhon, a former member of Vice President Ky's presidential campaign staff. In October, Nhon approached a number of lower house candidates in the Mekong Delta, [REDACTED]

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[REDACTED] and promised support for their campaigns in return for their agreement to support the Thieu-Ky government. It is not known whether Nhon's promise of support included campaign funds or whether Ky promoted, or even knew of, Nhon's activities.

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8. Following the election, Nhon reportedly claimed to have elected 31 deputies, whom he wants to form into a group to be called the Democratic Bloc. His attempts thus far to create a cohesive bloc have failed. A reception given for the deputies on 28 October at which Ky was to be the guest of honor failed to attract more than a handful of deputies or Ky. At a second reception on 30 October, Ky again failed to appear, although 28 deputies came. Nhon's attempt, however, to have these deputies sign a pledge which would formally enroll them in the bloc was unsuccessful. Only 23 deputies would sign the guest book and then on condition that they would not thereby be committed to any sort of political alliance.

9. It is too early to determine whether the proposed bloc has a future. The deputies' unwillingness to enter into a formal agreement may simply reflect a wait-and-see attitude while other groupings shape up in the house, rather than a rejection of the bloc idea. The deputies present at the second reception are all from the delta or Saigon, but otherwise have little in common. Several were members of the Provisional National Assembly, and a number were backed during their campaigns by such other political groups as the Farmer-Worker-Soldier Party, the All Vietnam Bloc, and the Dai Viet Party.

10. A predominantly Catholic group of deputies has been meeting to discuss formation of the second bloc, [REDACTED] The deputies have decided, however, not to announce themselves as a formal bloc, [REDACTED]

11. During meetings on 2, 3, and 6 November, these deputies--17 at one session--decided that the group would be independent, supporting government programs or not as it saw fit. The deputies will not publicize the bloc's formation yet or select a permanent leadership so that potential members will not regard it as a closed group. At the meeting on 6 November, however, the deputies did elect a temporary five-man board and agreed to contact as many other deputies as possible.

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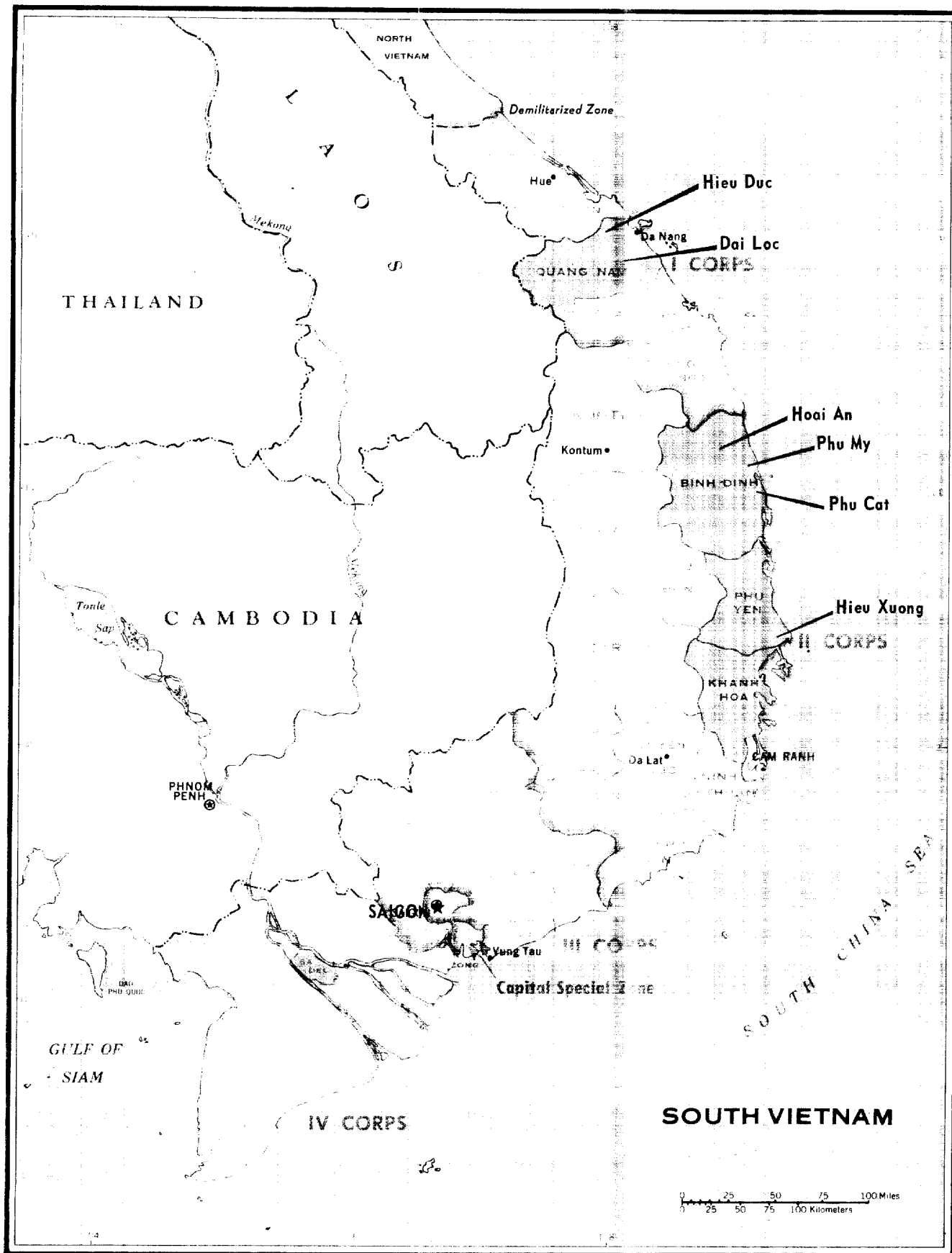
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II. REVOLUTIONARY DEVELOPMENT

Security appears to be deteriorating in the coastal provinces of Phu Yen, Binh Dinh, Quang Nam, and Khanh Hoa. In the delta, the enemy continues to attack the government at its weakest point, low level leadership. In late October, a flash fire heavily damaged a section of Saigon, but the government appears able to handle the displaced persons without US assistance. The success of the urban development program in other areas of Saigon provided a political base for election to the lower house for two of the program's leaders. The South Vietnamese Army has improved its desertion control program by providing for the rehabilitation of deserters sentenced to battlefield labor companies.

Security in the Central Coast Provinces

1. Information from a variety of sources suggests that the security situation in several strategic provinces along the central coast is gradually deteriorating. This area is one in which allied forces scored a number of important victories over Communist units in mid-1966. Since that time vigorous efforts to consolidate allied gains have been under way.

2. The decline in security in Phu Yen Province began in August when enemy forces went on the offensive, apparently in an effort to thwart the national elections on 3 September. Although most of their larger operations were unsuccessful and failed to disrupt voting, it appears that enemy small-unit tactics were relatively successful. In one of the smaller actions, an enemy company overran a government regional force company and two popular force platoons which had been providing security for the Revolutionary Development (RD) campaign headquarters in southern Hieu Xuong District.

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3. As a result of their operations, the Communists apparently succeeded in regaining control over a portion of the Phu Yen population which had been lost to the government during the past year. These Communist actions probably also had a deleterious psychological effect on the populace. The US hamlet evaluation system (HES) in Phu Yen Province for August shows that there was a decline in the security status of at least 12 hamlets during the period.

4. During September at least 21 hamlets in the province--including 12 with RD teams--were overrun and the RD teams driven out. Latest available information indicates that three of the teams have still not returned to their hamlets. US officials have estimated that the RD program has been set back three months in Phu Yen--an area of relatively consistent progress over the past year. During the fighting in September, some 2,700 homes in Tuy Hoa, Tuy An, and Hieu Xuong districts were destroyed as a result of enemy attacks or in the course of allied counteraction. Enemy activity has continued at a relatively high level into November.

5. US military forces were withdrawn from Phu Yen Province in early 1967; however, since the security situation has deteriorated elements of the US 173rd Airborne Brigade have been redeployed to the area. On 18 September, the 173rd launched Operation BOLLING in southern Phu Yen and northern Khanh Hoa to assist hard-pressed and over-extended South Korean and South Vietnamese units. Security, though still shaky, has reportedly improved since September. US officials believe the North Vietnamese Army units in the province have again been forced from the rice rich and populous Tuy Hoa valley.

6. The security situation in Binh Dinh and Khanh Hoa provinces is less clear. It appears that the enemy has stepped-up infiltration of small units into villages and hamlets in both provinces. In Khanh Hoa, enemy forces in late October reinfilitrated a number of villages in Ninh Hoa District. Approximately 5,000 villagers were persuaded by authorities to leave their homes for refugee centers while Vietnamese and Korean forces swept the area. As late as 6 November, MACV reported continued infiltration of small enemy units into hamlets in Khanh Hoa. An increase in sapper activity in the eastern part

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of the province also has occurred in coordination with accelerated military activities by elements of the North Vietnamese 18B Regiment in the area.

7. Allied intelligence indicates that there are elements of two enemy regiments in the Phu Cat and Phu My areas of Binh Dinh Province. Extensive RD operations have been under way in these areas for some time. Although the enemy is operating in smaller units and evading contact, its presence will tend to undercut programs focused on rural villages. Captured enemy documents and interrogation reports have indicated that the enemy hopes to make an all-out effort to disrupt or hinder allied pacification activities in the Phu My - Hoai An areas.

8. The latest indication of decreased hamlet security in Binh Dinh occurred on 6 November when an estimated enemy company entered--unopposed--five montagnard villages about five miles west of the US 1st Air Cavalry Division's base camp at An Khe. The enemy abducted about 238 montagnards, mostly male, seven Truong Son cadres, and murdered a hamlet chief. A US reaction force was able to locate 60 women and children and return them to their homes. Earlier, on 3 November, an enemy company had attacked a village administrative center about 13 miles from An Khe. In this attack the enemy killed two hamlet chiefs, an assistant village chief, two village administrative personnel, and two Popular Force soldiers.

9. In Quang Nam Province enemy forces on the night of 2 November attacked a number of allied outposts and a refugee resettlement area in Dai Loc District. In these forays, the enemy killed 10, wounded 18, and destroyed 330 houses in the resettlement hamlets. On 8 November enemy forces returned to launch a diversionary attack against the district headquarters and then directed its main effort against five nearby refugee camps. Within an hour of this attack, the enemy assaulted the district headquarters and refugee hamlets in adjacent Hien Duc District. Apparently the casualties sustained by allied forces in these incidents were light; however, the amount of damage to the refugee hamlets as well as the psychological impact upon the refugees has not yet been determined.

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Situation in the Delta

10. A step-up in enemy pressures on RD centers has also been noted in the southern delta area of South Vietnam. In the province of Sa Dec--part of the generally secure Hoa Hao area--an enemy force attacked and overran the Binh Tinh RD area on the night of 31 October. This RD area is less than two miles from the provincial capital. Allied forces lost 26 killed--five Popular Force (PF) soldiers, 10 National Policemen (NP), and 11 RD cadres--35 wounded (five PF, 13 NP, 17 RD) and 11 missing (one PF, two NP, eight RD). Seventy-one weapons and six radios were lost. Enemy forces lost only six killed. The attack substantially reduced the effect of the RD program in Sa Dec since only two RD teams were located in the province.

Saigon

11. On 25 October a flash fire destroyed several hundred family dwellings in District 3 of Saigon. Only 12 persons were injured; however, the loss of property and housing was complete. Approximately 185 families (940 persons) have thus far registered for relief. The government has been able to care for the people without US assistance, and any requests for future US assistance can be handled through regular self-help channels.

12. A distinctive feature of Saigon has been the relatively successful Vietnamese-initiated urban development program which began in 1965. This program was initiated by a group of young veterans and civil servants who, with Vice President Ky's support, began their efforts in District 8 and last year extended their program to Districts 6 and 7. In 1966 a similar program was established in District 4 by a group of young Vietnamese students. The new life development program in Districts 6, 7, and 8 has made a considerable impact on the area and offered a political base for three lower house candidates who were the program leaders in these districts. Two of the three candidates--Ho Van Minh and Ho Ngoc Nhuan--were successful in their election bids. The challenge of Minh and Nhuan threatened the political base of certain city councilmen who were also lower house candidates. The probity of

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of the program was made a campaign issue by the councilmen from these districts. Election results indicate, however, that the people of the districts stood behind Minh, Nhuan, and the program.

Desertion Control Measures in the Army

13. On 25 August the South Vietnamese Government issued a decree which provides for the suspension of sentences for convicted deserters undergoing punishment in battlefield labor companies. To become eligible for suspension of a sentence and return to duty, a deserter in a labor unit must distinguish himself by outstanding accomplishment, or meritorious service and proven repentance. MACV has continuously urged the Vietnamese Government to initiate a deserter rehabilitation program and believes this to be a significant step forward in increasing the effectiveness of the Vietnamese Armed Forces desertion control program.

14. As of 1 August, 7,988 deserters had been tried by the Corps Military Field Courts. Of this number 6,135 had been sentenced to frontline battlefield labor companies. During August, government officials announced that 5,369 deserters and draft dodgers were apprehended or voluntarily turned themselves in.

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III. ECONOMIC SITUATION

Retail prices in Saigon jumped 5 percent during the week ending 30 October mainly because of Viet Cong mining of Route 4 from the delta to Saigon. Currency and gold prices rose slightly. US officials' major economic objectives in Vietnam next year are to prevent serious inflation, raise real wages of government workers, and continue to raise real income in rural areas. Trials of the new IR-8 hybrid rice in Binh Dinh Province have produced yields two and a half to four times higher than those from domestic seed.

Prices

1. After three weeks of stability retail prices in Saigon jumped 5 percent during the week ending 30 October, mainly as the result of Viet Cong mining of Route 4 from the delta prior to the presidential inauguration on 31 October. The difficulty in getting goods through to Saigon was then increased by heavy rains. Higher prices for pork, fish, chicken, and cabbage caused over-all food prices to rise 6 percent. The price of fresh-water fish rose more than 20 percent during the week as delays in delivery reportedly caused severe losses. According to the embassy, delivery of fish to Saigon from An Xuyen Province has taken two or three days compared with eight or nine hours under normal conditions. Nonfood prices rose 1 percent as prices of calico and firewood increased, the latter for the first time since 11 September. (A table of weekly retail prices in Saigon is included in the Annex.)

2. The index of prices for selected US-financed imported commodities rose slightly during the week ending 31 October, but was only 7 percent higher than at the beginning of the year. The major reason for the increase was the higher price of

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cement, but prices were also slightly higher for condensed milk, iron and steel products, rayon yarn, and some chemicals.

Currency and Gold

3. Free market prices of dollars and gold leaf rose on 30 October, while the rate for MPC (scrip) was unchanged. The price of green dollars rose two piasters to 153 piasters per dollar, and the price of gold rose four piasters to 197 piasters per dollar, the highest level since 12 September. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Economic Objectives in 1968

4. US officials intend to pursue three major economic objectives in Vietnam in 1968. The first is to prevent severe inflation and hopefully to reduce it below that occurring in 1967. An accelerating price rise in 1968 could cause great political damage, and the increased pressure against available resources would further reduce the government's ability to carry on essential programs. The second objective is to sharply increase real wages of Vietnamese government civil and military personnel and ensure that these gains are maintained. Government employees probably are the one group in Vietnam whose wages have not kept up with rising prices, and US officials believe higher real wages are essential for increasing efficiency and reducing corruption. The third major objective is to continue to increase rural income in order to further pacification and reduce migration to urban areas. This could be achieved by pursuing a vigorous agricultural production policy combined with removal of restrictions on the movement of goods throughout the country. In order to improve the relative position of both government employees and the rural populace, however, the continued rise in incomes of the urban, private sector of the economy will have to be restrained.

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5. Achievement of these major objectives is predicated on the following conditions: a government that can function effectively and produce major tax legislation in 1968 in order to increase government revenues; continued restraint on piaster spending by both the Vietnamese government and the US; and a manpower allocation system that would reallocate scarce personnel from low to high priority positions in both the public and private sectors.

6. Under the most realistic assumptions as to what can be accomplished in 1968, officials believe it will be possible to hold down price increases to from 30 to 40 percent, or about the same as this year. This amount of inflation assumes that no major steps will be taken in 1968 to increase government revenues and that spending by the government and the US will rise only moderately over that in 1967. The Vietnamese government is expected to grant a sizable wage increase to its employees in 1968, but most of the increase probably will be wiped out by rising prices. Probably all groups will increase their real incomes somewhat, the urban nongovernment employees the most, and continue to move toward a level of consumption far above that sustainable without large US import financing. Considerable progress may be made in increasing agricultural production, and some kind of joint US/GVN fund may be established to finance agricultural activities. US officials expect little change in the manpower situation beyond what has already been done by issuing a partial mobilization decree, which has lowered the draft age from 20 to 18.

Rice Growing Experiments in Binh Dinh and Binh Tuy

7. The first harvests from a rice cultivation experiment in coastal Binh Dinh Province have produced yields two and a half to four times higher than normal. Demonstration plots were planted in June with IR-8 rice, a hybrid recently developed by the International Rice Research Institute in the Philippines. The hybrid has a short growing season

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and is not easily beaten down by flooding or heavy use of fertilizer because of its short, strong stalk. With controlled use of insecticides and fertilizers the plots produced from 4,500 to 8,000 kilograms per hectare, the average yield being 5,895 kilograms per hectare. These yields compare with the normal yield in Binh Dinh of 1,800 to 1,900 kilograms per hectare from domestic rice. Flooding occurred during the harvest, and losses of native varieties reportedly were much higher than those of IR-8, which remained upright despite complete flooding of the paddies.

8. Under USAID auspices about 600 hectares have also been planted with IR-8 rice in the Vo Dat region of Binh Tuy Province in an effort to replace the original domestic crop wiped out by floods in September. Vietnamese government officials had estimated about 1,500 hectares or half of the province's rice acreage would have to be replanted or written off. Along with the IR-8 seed, USAID and the government of Vietnam sent a full-time task force to insure that all plantings receive adequate fertilization, pest control, and cultivation. Farmers in the Vo Dat area reportedly are enthusiastic and cooperative and are organizing an IR-8 seed production co-op. The US Mission is now seeking formal approval from the National Seed Board for use of the current plantings in Binh Tuy as a source of seed for national distribution during the main planting season next spring. Plans are already under way for trials of IR-8 rice in I Corps later this year (see The Situation in South Vietnam (Weekly) of 28 August).

9. The widespread use of the IR-8 hybrid in Vietnam, however, depends not only on the results of various test plots but also on a number of other factors. Even if security conditions permit, the use of this new seed requires extensive reeducation of the farmers because the characteristics and cultivation requirements of IR-8 are very different from those of domestic varieties. For example, IR-8 requires heavy use of fertilizer, and the effort to increase the application of fertilizer to domestic rice crops has been a long uphill struggle.

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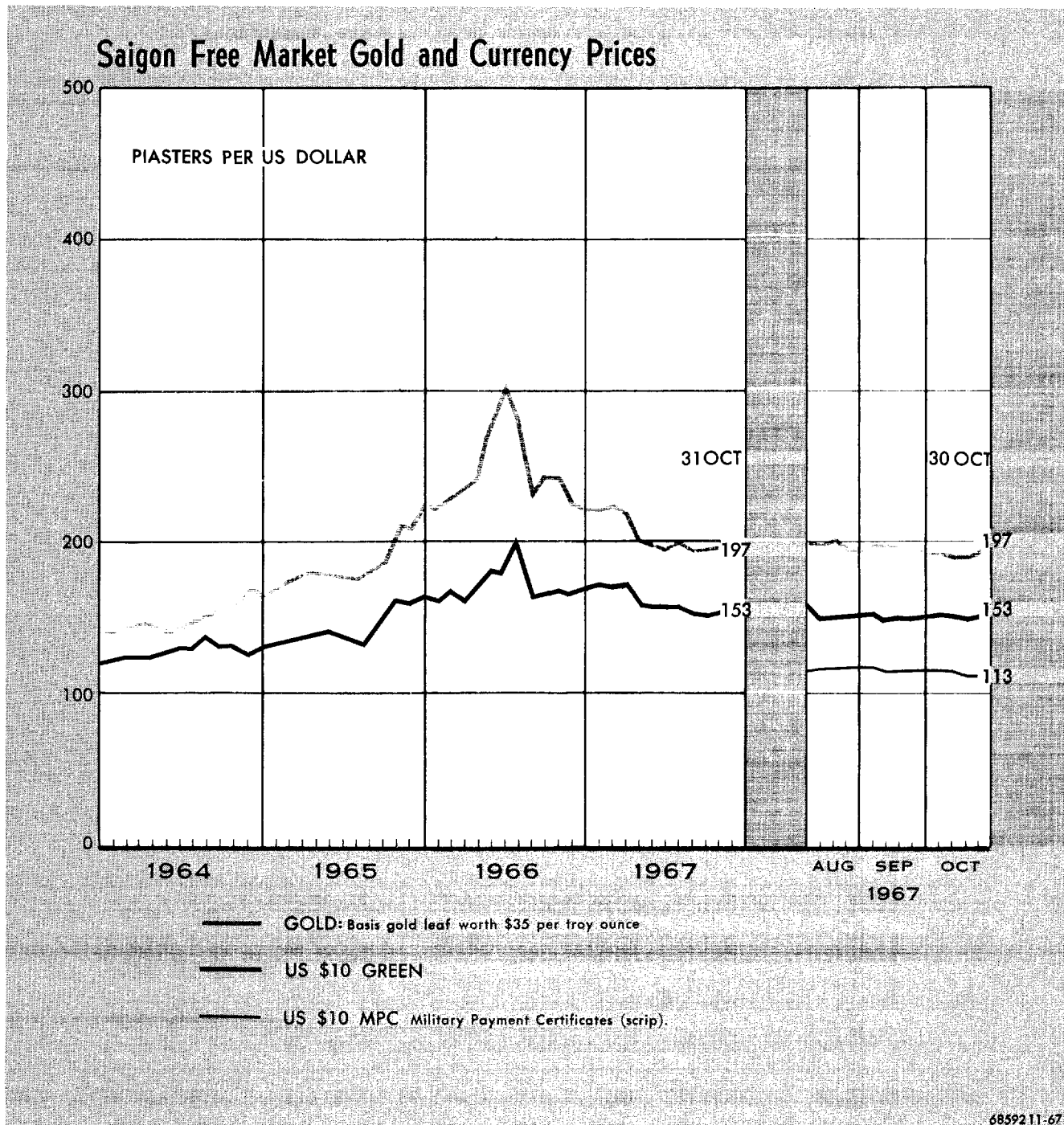
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TABLE

Weekly Retail Prices in Saigon^a

	13 June 1966 ^b	3 Jan. 1967	9 Oct. 1967	16 Oct. 1967	23 Oct. 1967	30 Oct. 1967
Index for all Items	<u>173</u>	<u>225</u>	<u>290</u>	<u>291</u>	<u>290</u>	<u>304</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>326</u>	<u>326</u>	<u>324</u>	<u>345^c</u>
Of Which:						
(In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,400	2,300	2,300	2,300
Pork Bellies (1 kg.)	90	130	180	200	200	230
Fish-Ca Tre (1 kg.)	130	150	220	220	220	270
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>225</u>	<u>227</u>	<u>228</u>	<u>230^c</u>
Of Which:						
(In Piasters)						
Firewood (cu. meter)	360	560	500	500	500	520
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	45	45	45	46
Kerosene (liter)	7.8	10.5	9	9	9	9

- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
b. Price level just prior to the 18 June devaluation.
c. Preliminary.



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